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(d) Discuss whether devoting more of its resources to fishing would benefit an economy. [8]

Up to 5 marks for why it might:

- may allow an economy to specialise (1) in a product in which it has a cost/comparative advantage (1);
- may increase the output of the country/GDP (1) increasing incomes/living standards (1);
- may allow greater advantage to be taken of economies of scale (1) examples of economies of scale (up to 2);
- demand for fishing may be increasing (1) will raise revenue (1) reason why demand may be increasing e.g. greater awareness of health benefits (1);
- may increase exports of fish/reduce imports of fish (1) improve the position on the current account of the balance of payments (1);
- may build up a reputation for fishing (1).

Up to 5 marks for why it might not:

- risk that demand may fall (1) reasons why demand may fall e.g. rise in price/quality competitiveness of other economies (1);
- the country may be better at producing other products (1) this would result in a high opportunity cost of devoting more resources to fishing (1);
- may result in diseconomies of scale (1) examples of diseconomies of scale (up to 2);
- may result in overfishing (1) depleting fish stocks (1).

CBA would help in making such a decision (1) would benefit an economy if the social benefit exceeds the social cost/ would harm an economy if the social cost exceeds the social benefit (1).

3 (a) Define 'price elasticity of supply'. [2]

- A measure of the responsiveness of supply to a change in price/formula: percentage change in quantity supplied divided by percentage change in price (2).
- How price affects supply/change in supply divided by change in price (1).

(b) Explain why many firms try to maximise profits. [4]

- To provide an incentive/reward for entrepreneurs (1) profit is a payment for bearing risks/organising the other factors of production (1).
- To provide finance for investment (1) which will allow firms to grow (1) new capital equipment may reduce costs of production (1).
- To provide finance to pay dividends to shareholders (1) which may keep demand for shares high/raise price of shares (1).
- To compete with rival firms (1) the most profitable firms are likely to be able to gain a larger share of the market (1).

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(c) Analyse what determines in which countries a multinational company produces. [6]

- Size of market (1) if demand for the product/s produced is high in the country (1) higher revenue may be earned (1).
- Costs of production (1) e.g. low wages/low raw material costs may attract multinational companies (MNCs) (1).
- Availability of raw materials (1) certain raw materials e.g. copper may be found in a small number of countries (1).
- Trade protection (1) MNCs may set up in a country to get round tariffs (1).
- Government subsidies (1) financial help may be given to companies setting up in some countries (1).
- Fewer government regulations (1) MNCs may set up in countries with fewer rules and laws (1).
- Skills of workers (1) highly skilled workers will produce products of a good quality (1).

Note: up to a maximum of 3 marks for a list-like approach.

(d) Discuss whether a government should regulate supermarket firms. [8]

Up to 5 marks for why it should:

- to prevent market failure (1);
- a supermarket may have monopoly power (1) which may drive up prices (1) reduce quality (1) reduce choice (1) make it difficult for small shops to enter the market/survive (1);
- supermarkets may not take into account external costs and external benefits (1) may e.g. disturb people living nearby by staying open for long hours (1);
- supermarkets may sell harmful products (1) to people who do not realise their effects e.g. cigarettes;
- supermarkets may exploit workers (1) e.g. making them work long hours (1) working in an unsafe environment (1).

Up to 5 marks for why they should not:

- complying with regulations may increase supermarket costs (1) reduce their output (1) lower employment (1);
- may discourage MNCs setting up in the country (1) may encourage firms to move overseas (1);
- may lead to inefficiency (1) may reduce responsiveness to changes in market conditions (1) may reduce innovation (1) may reduce choice e.g. to shop late at night (1) may be government failure (1).

4 (a) Define 'consumer prices index'. [2]

- A measure of the change in the price level/rate of inflation (1).
- A weighted measure or identification of another feature e.g. based on prices paid by households/prices of a basket of goods and services/uses a base year (1).

(b) Explain two functions of money. [4]

- Medium of exchange (1) enables people to exchange products/used to buy and sell products (1).
- Store of value (1) enables saving to occur (1).
- Unit of account/measure of value (1) enables the value of items to be compared (1).
- Standard of deferred payments (1) enables borrowing and lending to occur (1).